



सत्यमेव जयते

R E P O R T
OF THE
INDIAN TARIFF BOARD
ON THE
HYDROQUINONE INDUSTRY

सत्यमेव जयते

BOMBA
1951

PERSONNEL OF THE BOARD

Dr. H.L. Dey, D.Sc. (Lond.)	...	President.
Dr. B.V. Narayanaswamy Naidu, M.A., B. Com., Ph.D., Bar-at-Law	...	Member.
Mr. B.N. Adarkar, M.A. (Cantab.)	...	Member.
Mr. M.A. Mulky, M.Sc. (Econ.) London	...	Secretary.

PERSONNEL OF THE PANEL WHICH HEARED THE CASE

Dr. B.V. Narayanaswamy Naidu,
M.A., B.Com., Ph.D., Bar-at-Law *Member*

Mr. B.N. Adarkar, M.A. (Cantab.) *Member*



सत्यमेव जयते

RESOLUTION
(TARIFFS)

No. 8(4)-T.B./51.- The Tariff Board have submitted their Report on the Hydroquinone Industry. Though the indigenous product is cheaper than the imported product, the Board have taken cognizance of various adverse factors pointing to the need for protection and concluded that Hydroquinone being an essential chemical calls for the creation of favourable conditions for the continued expansion of this industry, which fulfils all the conditions prescribed for the grant of protection or State assistance. The Board have made the following recommendations:-

- (1) The existing revenue duties of 27.3 per cent., preferential, and 37.8 per cent., standard, should be converted into protective duties at the same rates.
- (2) In view of the present uncertainty regarding the future costs of production, the whole question of protection to this industry should be reviewed within two years and the protective duties recommended should, therefore, be in force for two years.
- (3) The industry should make all possible efforts to expedite the production of aniline in order to make itself independent of imports in respect of this essential raw material.
- (4) Arrangements should be made with the Collectors of Customs and the D.G.C.I & S to record imports of hydroquinone by quantity and value.

2. Government accepts all the above recommendations and will take steps to implement them. The attention of the industry is invited to recommendation No. 3.

A. S. Lall,
Joint Secretary to the Govt. of India.

CONTENTS

Para.	Page
1. Reference to the Board	1
2. Terms of reference	1
3. Method of inquiry	2
4. Scope of inquiry	2
5. Uses	3
6. Process of manufacture	3
7. Raw materials	4
8. Domestic demand	5
9. Domestic production	6
10. Imports and import control position ..	7
11. Quality of the indigenous product ..	7
12. Existing rate of duty	8
13. Board's estimate of cost of production and fair selling price	9
14. C.i.f. prices and landed costs ..	11
15. Measure of protection	11
16. Eligibility for protection	13
17. Summary of conclusions and recommendations	14
18. Acknowledgements	15

सत्यमेव जयते

APPENDICES

	Page
I. Government of India, Ministry of Commerce Resolution No. 1-T/A (58)/49 dated 2nd December, 1950 referring the case to the Board for investigation	16
II. List of persons, firms and associations to whom questionnaires were issued and from whom replies or memoranda were received	17
III. List of persons who attended the public inquiry on the 19th March, 1951 ..	19
IV. Statement showing the import control position in respect of hydroquinone from January-June 1949 to January-June 1951	20
V. Statement showing c.i.f. prices and landed costs of hydroquinone	21



सत्यमेव जयते

REPORT ON THE HYDROQUINONE INDUSTRY

An application for protection to the indigenous hydroquinone industry was made by the Kesar Sugar Works, Ltd., by their letter dated 23rd June, 1950, to the Government of India in the late Ministry of Commerce, who referred the application to the Tariff Board for investigation and report by their Resolution No. 1-T/A(58)/49 dated 2nd December, 1950. (Appendix I)

2. Under the terms of reference contained in the Government Resolution dated 3rd November, 1945, the Board has to satisfy itself —

- (1) that the industry is established and conducted on sound business lines; and
- (2) (a) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely, within a reasonable time, to develop sufficiently to be able to carry on successfully without protection or State assistance; or
(b) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive.

Where a claim to protection or assistance is found to be established, i.e., if condition (1) and condition (2) (a) or (b) are satisfied, the Board may recommend —

- (i) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed;
- (ii) what additional or alternative measures should be taken to protect or assist the industry; and
- (iii) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

In making its recommendations, the Board has to give due weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection may be granted.

3. (a) A press Communique was issued on 30th January, 1951, stating that the Board's questionnaires for inquiry. producers, importers and consumers were ready and that persons, firms or associations interested in the inquiry may obtain copies of the questionnaires from the Board's office. Simultaneously, questionnaires were issued to the manufacturers and such importers and consumers of this product as were known to the Board. A list of those to whom the Board's questionnaires were sent and those from whom replies or memoranda were received is given in Appendix II. The Director General of Industries and Supplies, New Delhi, and the Director of Industries, Bombay, were requested to furnish memoranda on the industry. The Collectors of Customs at different ports were requested to furnish statistics of imports and the latest c.i.f. prices of hydroquinone imported through their ports.

(b) Shri S.S. Mehta, Technical Adviser to the Board, visited the factory of the Kesar Sugar Works Ltd., at Goregaon, on 1st and 3rd March, 1951. Shri R. Sundaram, Cost Accounts Officer attached to the Board, examined the cost of production of hydroquinone at this factory on 2nd and 3rd March, 1951. Dr. B.V. Narayanaswamy Naidu and Shri B.N. Adarkar, Members of the Board, accompanied by Shri M.A. Mulky, Secretary, visited the same factory on 16th March, 1951.

(c) A public inquiry was held on 19th March, 1951 in the Board's office in Bombay. A list of those who attended the inquiry and gave evidence is given in Appendix III.

4. Hydroquinone is available in two grades, namely, 'technical' and 'photographic'. Since hydroquinone is mainly used in India in the film industry and in photography, it is the photographic grade which is imported

and manufactured in the country. The manufacturers, however, stated at the public inquiry that the technical grade could be produced in India, if there was sufficient demand for it. It was, therefore, decided that the scope of the inquiry should cover both the grades.

5. Hydroquinone is used (a) as a developer of film
 Uses. and photographic negatives and positives, and (b) as a developer of dry plates in printing. It can also be used as a dye intermediate, as an antioxidant for oil seeds, for preserving anaesthetic ether, and also as an antiseptic.

6. Aniline is converted into aniline sulphate by the
 Process of addition of sulphuric acid in the presence of
 manufacture. ice. The aniline sulphate so formed is oxidized in the presence of sulphuric acid by manganese dioxide in a reaction vessel, where low temperature is maintained by the addition of ice and cooling by refrigerated brine. During the process, aniline is oxidized to benzoquinone which is separated by steam distillation. The distilled benzoquinone is reduced with iron powder in acidic aqueous solution to produce hydroquinone. The solution of hydroquinone is transferred to an evaporator and concentrated. After purification of the solution with soda ash and disodium phosphate for the removal of iron, calcium, magnesium and such other impurities and after decolorisation by activated carbon, the solution is transferred to a crystalliser where pure hydroquinone separates out in the form of crystals. The crystals are separated from solution by means of centrifuge, and dried. Hydroquinone gets decomposed in the presence of light and air, resulting in a brown product, and in order to control this reaction, citric acid and oxalic acid are added in small quantities as stabilising agents. The product can be further purified by treatment with sulphuric acid, activated carbon, sodium bisulphate and zinc dust, and further decolorised by treatment with sodium hydrosulphite.

7. The principal raw materials required for the pro-
 Raw materials. duction of hydroquinone are aniline, pyrolusite (manganese dioxide ore), sulphuric acid and iron powder.

Besides these, small quantities of chemicals, such as, activated carbon, soda ash, disodium phosphate, citric acid and oxalic acid are required for the purification process. Zinc dust, sodium bisulphite and sodium hydrosulphite may also be used in small quantities for purification. Of the major raw materials, pyrolusite ore and sulphuric acid are available locally. The manufacturers have hitherto been using imported iron powder, but propose to use indigenous material in future. Aniline is imported principally from the U.K. and the U.S.A. Since this is a strategic raw material, it has become difficult to procure it from abroad except in small quantities and at high prices. We understand from the Kesar Sugar Works that the material can be produced in the country, either from nitrobenzene which is manufactured by the Government Ordnance Factory at Kirkee, or in case nitrobenzene is not available at a reasonable cost, directly from benzene. The Kesar Sugar Works have plans for the manufacture of aniline, but they have explained to us that since the quantity of this material required for the production of hydroquinone is too small to support an economic unit, they can undertake this project only if there is a sufficiently large demand from other consuming industries. They, therefore, propose to carry out a survey of the probable requirements of other industries for aniline. We understand from the firm that the Kirkee Ordnance Factory is now quoting a much higher price for its nitrobenzene than it did before; and dependence on that source may, therefore, involve considerable risk in regard to the cost of this material. A safer course would be to undertake the manufacture of aniline from benzene itself, but, as stated above, this has to be planned on the basis of the requirements of several other industries, besides hydroquinone, in order that it may become an economic proposition. Of the materials used in small quantities for purification, soda ash, disodium phosphate, sodium phosphate and sodium bisulphite are available locally, while activated carbon, zinc dust, sodium hydrosulphite, citric acid and oxalic acid are imported.

8. Several widely varying estimates of the domestic demand. demand for hydroquinone were received by us. The Ministry of Commerce and Industry had estimated the annual demand at 20 to 25 tons and the Kesar Sugar Works Ltd., at 16 to 20 tons. Among the importers, the Allied Photographics Ltd. gave an estimate at 50 to 75 tons per annum (75 per cent. for the film industry and 25 per cent. for photography and other purposes), while the Imperial Chemical Industries, who, however, no longer import this chemical, gave a much lower figure, namely, 20 tons per annum. The Indian Motion Picture Producers' Association estimated the demand at 30 tons per annum for the film industry and 30 tons per annum for other photographic purposes, while the Bengal Film Laboratories placed the annual requirements of the film industry at 18 tons. All these estimates were placed before the interests present at the public inquiry and after a detailed discussion of the various factors involved, we arrived at the following estimate:-

1. Average imports of cinematographic films from 1947-48 to 1949-50. 170 million ft.
 2. Estimated imports of films for feature pictures:-
 - (a) negative films 24 million ft.
 - (b) positive films 100 million ft.
 - (c) sound films. 24 million ft.
 3. Estimated imports of films for new pictures, IFI and educational pictures: 22 million ft.
 4. Quantity of hydroquinone required for feature pictures:-
 - (a) negative films @ 5 lbs. per 15,000 ft. 8,000 lbs.
 - (b) positive films @ 5 lbs. per 30,000 ft. 16,700 lbs.
 - (c) sound films @ 5 lbs. per 30,000 ft. 4,000 lbs.

Total: 28,700 lbs.
 5. Quantity of hydroquinone required for news pictures, IFI and educational pictures 4,300 lbs.
 6. Total quantity of hydroquinone required for cinematographic films 33,000 lbs.
 7. Quantity of hydroquinone required by photographic trade (approx. 75% of 6) 25,000 lbs.
 8. Estimated total requirements 58,000 lbs.
- i.e. 26 tons approximately.

If more than 170 m. ft. of cinematographic films become available, the demand for hydroquinone will be proportionately higher than that shown in 6 above. According to a recent estimate, the present demand for cinematographic films is 250 m. ft. This is, however, far above the actual imports in recent years. If imports of photographic sensitive goods, which are at present restricted, are allowed more liberally, the consumption of the photographic trade may be equal to that of the cinematographic trade, as is the normal position.

9. Hydroquinone is at present produced on a commercial domestic scale by only one firm, namely, Kesar Sugar Works production. Ltd., Bombay. The plant was started in September 1949, but regular production of hydroquinone commenced only in January 1950. The annual production capacity of the factory is 33,000 lbs. Its actual production from January 1950 to February 1951 was as follows:-

				<u>1950</u>	<u>1951</u>
				lbs.	lbs.
January	..	..	..	336	1,350
February	..	..	..	672	1,000
March	..	..	..	672	
April	..	..	..	896	
May	..	..	..	260	
June	..	..	..	600	
July	..	..	..	525	
August	..	..	..	325	
September	..	..	..	850	
October	..	..	..	850	
November	..	..	..	575	
December	..	..	..	900	
				<u>7,461</u>	

For various reasons, the firm has so far been able to utilise only a small proportion of its rated capacity. In the first place, it has been in production for a little over one year only. Secondly, it has had to regulate its rate of output according to the demand from the consuming

industries. Thirdly, it has found it extremely difficult of late to obtain its requirements of aniline from abroad owing to a world shortage of this commodity. Until the manufacture of aniline is developed in the country, the availability of this material from abroad will set a limit to the production of hydroquinone. This constitutes a serious handicap for the industry. As stated in paragraph 7 above, however, the industry already has plans to undertake the manufacture of aniline; and we recommend that every effort should be made to expedite that project.

The Sarabhai Chemicals, Baroda, have informed us that they have completed their experimental work for the production of hydroquinone and that they hope to start production in the near future at the initial rate of approximately 50 lbs. per day.

10. (a) Statistics of imports of hydroquinone are not imports & import recorded separately in the Sea-borne Trade control position. Accounts. We recommend that arrangements should be made with the Collectors of Customs and the Director-General of Commercial Intelligence and Statistics, to record imports of hydroquinone, by quantity and value.

(b) A statement showing the import control position in respect of hydroquinone from January-June 1949 to January-June 1951 is given in Appendix IV.

11. The question of quality was discussed at length at quality of the the public inquiry. The spokesmen of the indigenous product. film industry stated that although the indigenous product was serviceable for photographic work, better quality was essential for processing cinematographic films. There was, however, evidence to show that some studios were using the product manufactured by the Kesar Sugar Works and had found it satisfactory. The indigenous product is not available in as white a form as the imported product. The manufacturers admitted this defect, but maintained that it did not affect the performance of the chemical. The only reason why they had not remedied this defect

so far was that they would have to subject their hydroquinone to some further processing for this purpose and this would mean additional cost. The majority of the consumers who gave evidence before us emphasised that the industry should adopt a standard specification and conform to it. We understand that the Indian Standards Institution has taken up the question of evolving standards for this chemical and that the Institution expects to be able to finalise the standard in a short time. The manufacturers have assured us that they would take steps to conform to any standard that may be laid down by the Institution and that, in particular, if the standard requires the product to be white in appearance, they would endeavour to fulfil that requirement also.

12. Hydroquinone is assessed to duty under Item No. 28 Existing of the Indian Customs Tariff. The relevant rate of duty. extract from the First Schedule to the Indian Customs Tariff (Thirty-third issue) is reproduced hereunder:-

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		
				The U.K.	A British Colony	Burma
28	Chemicals, Drugs and Medicines, all sorts not otherwise specified*.	Preferential revenue	Rate of duty actually charged at the time for such products of the U.K. or British Colonial origin plus 10 percent. ad valorem.	26% ad valorem	26% ad valorem	10% ad valorem

*This is a GATT item.

Note:- Under the Finance Act, 1951, a surcharge of 5 per cent. of the duty has been imposed on the above item.

13. (1) The Cost Accounts Officer attached to the Board's estimate of cost of production and fair selling price. Board has examined the actual cost data relating to the production of hydroquinone by the Kesar Sugar Works, for the year ended 31st January, 1951. The actual production during this period was 8,475 lbs. which constituted 25.7% of the firm's rated capacity estimated at 33,000 lbs. per annum. The firm has stated that it can expand its production to the full rated capacity without any additional equipment. The works cost for 1950/51 worked out to Rs. 7.95 per lb. and the fair selling price (including interest on working capital and return on block) to Rs. 9.25 per lb. These figures are very high and are due to partial working. We have not, therefore, adopted them for the purpose of assessing the quantum of protection required by the industry. We have, instead, built up our estimate of the cost of production for the year 1951/52, on the assumption that the plant will work to its full capacity of 33,000 lbs. The estimate is given below in a summarised form:-

Statement showing the Board's estimate of the cost of production per 100 lbs. of hydroquinone for 1951-1952.

				Rs.
1. Raw materials	..	..	..	465.75
2. Conversion charges	..	..	..	159.72
3. Depreciation	..	..	..	22.75
4. Other overheads	..	..	..	7.31
5. Packing charges	..	..	..	9.91
6. Interest on working capital	..	..	..	<u>6.65</u>
7. Total works cost	..	..	..	672.09
8. Return on Block	..	..	..	<u>33.33</u>
9. Fair selling price per 100 lbs.	..	..	..	<u>705.42</u>
10. Fair selling price per lb.	..	..	Rs.	7.05 =
				Rs. 7-0-10

The following factors have been taken into consideration in arriving at the above estimate.

(a) *Raw materials.*—The quantities of raw materials consumed per unit of the finished product during 1950/51 were, in some cases, considered to be too high. Since production has now come to be stabilised, we have made appropriate reductions in the quantities of raw materials, after taking into account the actual working conditions of the plant. Prices of aniline and sulphuric acid have been steadily rising in recent months. Quotations were produced to show that aniline and sulphuric acid were available only at Rs. 2.11 and Re. 0.156 per lb. respectively, as against Rs. 1.067 and Re. 0.103 per lb. respectively paid in 1950/51. We have, however, taken into account the stocks of aniline already held by the firm, and have assumed the average prices of aniline and sulphuric acid to be Rs. 1.744 and Re. 0.156 per lb. respectively.

(b) *Power and fuel.*—The cost of electricity consumed at the factory has been allocated to the Hydroquinone section on the basis of the horse-power of the machinery installed, while fuel oil used in the generation of steam has been estimated on the basis of the technical requirements. A reduction in the consumption of fuel oil by 15 per cent. of that in 1950/51 has been assumed in working out future costs. The latest quotation for fuel oil is Rs. 115.938 per ton and this has been adopted.

(c) *Labour.*—The cost under this head has been calculated on the basis of the actuals for January, 1951.

(d) *Repairs and maintenance.*—In view of the expected increase in production to 33,000 lbs., an increase of 25 per cent. over the actual total cost for 1950/51 has been allowed under this head.

(e) *Consumable stores.*—The cost of consumable stores has been assumed to remain unchanged as compared with 1950/51.

(f) *Establishment, depreciation and other overheads.*—The actual charges for 1950/51 have been adopted and spread over the larger output expected in future.

(g) *Packing charges.*—Hydroquinone is packed in numerous sizes and hence it has been possible to work out only the average cost of packing.

(h) *Interest on working capital.*—This has been allowed at the rate of 4 per cent. on three months' cost of production.

(i) *Return on block.*—The actual value of the block employed in the manufacture of hydroquinone is not separately ascertainable. The manufacturers could only give us an estimate of Rs. 1,10,000 for the value of the block so employed. We have adopted this estimate and have allowed a return of 10 per cent. thereon.

(j) *Fair selling price.*—On the above basis, the fair selling price of the indigenous product for 1951/52 works out to Rs. 7-0-10 per lb.

14. A statement showing the c.i.f. prices and landed c.i.f. prices & costs of hydroquinone as reported by the landed costs. Collectors of Customs and importers is given in Appendix V. For the purpose of comparison with the fair ex-works cost of the indigenous product, we have adopted the latest c.i.f. price of Rs. 7-10-8 (equivalent of £ 0-11-6) per lb., relating to imports from the U.K. as furnished by Messrs. Allied Photographics Ltd. On the basis of this c.i.f. price, the landed cost works out as follows:—

	Rs.As.Ps.
(a) C.i.f. price per lb.	7-10- 8 .
(b) Clearing charges (approx).	<u>0- 0- 6</u>
(c) Landed cost without duty	7-11- 2
(d) Customs duty at 27.3 per cent. <i>ad valorem</i> (including surcharge).	<u>2- 1- 6</u>
(e) Total landed cost with duty	<u>9-12- 8</u>

15. The landed cost, including duty, of imported Measure of hydroquinone, as given in the preceding paragraph, protection. is Rs. 9-12-8 per lb. even at the lower rate of duty applicable to imports from the United Kingdom, i.e. 27.3 per cent. *ad valorem*, while the fair selling price of the

indigenous hydroquinone, as given in paragraph 13 above, is much lower, namely, Rs. 7-0-10 per lb. The fair selling price is lower than even the latest c.i.f. price, which is Rs. 7-10-8 per lb. Owing to the difficulty of securing adequate imports of hydroquinone, the indigenous hydroquinone is at present in good demand and the industry is, therefore, for the present not meeting with foreign competition to any material extent. *Prima facie*, therefore, it would appear that the industry needs no protection against the imported products. In this connection, however, due account has to be taken of certain other important factors. The industry is still in a nascent stage and will have to expand considerably before it is able to meet the full requirements of the country. There is at present only one unit in the country and another unit will shortly come into production. The existing unit is working below capacity and no idea can yet be formed of the cost of production in the other unit. The indigenous product still needs some improvement in order to make it comparable in appearance with the imported product and such improvement will definitely result in some increase in the cost of production. There is also a shortage of aniline at present. The prices of aniline as well as of sulphuric acid are on the up-grade. If the shortage of aniline persists, the industry may have to undertake the manufacture of that material from nitrobenzene or benzene. In that event, its cost of production may further increase. Owing to these various factors, there is considerable uncertainty at present about the future costs of production of hydroquinone in the country. Moreover, the film processing laboratories, which are the largest consumers of hydroquinone in India, are normally most reluctant to experiment with a new product, even when it is offered at a much cheaper price, because if the films are damaged owing to the use of bad chemicals, the loss will be out of all proportion to the saving in the cost of chemicals. Most of these laboratories are wholly employed in the processing of films on behalf of Cine Studios and cannot afford to take any risk with the films entrusted to them.

In order to overcome this difficulty, the indigenous product has to be offered at an appreciably lower price than that at which the imported product is sold. The existing duties would help the domestic industry to keep the necessary margin between the prices of the imported and the indigenous products, while a reduction in those duties may increase the scope for foreign competition. The protection at present given by the fall in imports is of a temporary character and cannot afford any effective encouragement to the industry to undertake further investment. Hydroquinone is an essential chemical and it is, therefore, necessary to create conditions which will be favourable to the continued expansion of this industry. For these reasons, we recommend that the existing revenue duties of 27.3 per cent. preferential, and 27.8 per cent. standard, should be converted into protective duties at the same rates. In view of the present uncertainty regarding the future costs of production, however, the whole question of protection to this industry should be reviewed within two years and the protective duties recommended by us should, therefore, have a duration of two years only.

16. The conditions to be satisfied by an industry in order to become eligible for protection or assistance have been stated in paragraph 2 above. So far as the first condition is concerned, the production of hydroquinone is at present carried on by only one unit, namely, the Kesar Sugar Works, and we are satisfied that this unit is established and conducted on sound business lines. The Kesar Sugar Works deserve credit for their pioneering work in this field. They undertook the production of photographic chemicals during the war at the instance, and with the active assistance, of the Government of India and thus met the defence and civilian requirements for these essential articles at a time when adequate supplies were not available from abroad. As regards the second condition, the principal raw materials, except aniline, are obtained from indigenous sources. As stated in paragraph 7 above, we believe that it is possible to establish the

production of aniline in India and when that is achieved, the country will be self-sufficient in respect of all the principal raw materials required by this industry. Moreover, thanks to the existence of a well developed film industry, there is a ready market for hydroquinone in this country. In view of these advantages, we think that the industry can develop sufficiently within a reasonable time to be able to dispense with protection or state assistance. Since photographic chemicals are required for defence as well as civil purposes, it is also desirable in the national interest to encourage their production in the country. We are, therefore, satisfied that the industry fulfils all the conditions prescribed for grant of protection or state assistance. Since we have recommended only the conversion of the existing revenue duties into protective duties, we do not think that the grant of protection to this industry will place an undue burden on the consumer.

17. Our conclusions and recommendations are summarised

Summary of conclusions below:-

2d. recommendations.

(1) The scope of the inquiry includes both the grades of hydroquinone, photographic and technical. [Paragraph 4]

(2) The domestic demand for hydroquinone is estimated at 26 tons per annum. [Paragraph 8]

(3) The annual production capacity of Kesar Sugar Works Ltd., Bombay, is 33,000 lbs. Its actual production from January, 1950 to February, 1951, was 9,811 lbs.

The Sarabhai Chemicals, Baroda, have informed us that they have completed their experimental work for the production of hydroquinone and that they hope to start production in the near future at the initial rate of approximately 50 lbs. per day. [Paragraph 9]

(4) The industry should make all possible efforts to expedite the production of aniline in order to make itself independent of imports in respect of this essential raw material. [Paragraph 9]

(5) Arrangements should be made with the Collectors of Customs and the Director General of Commercial Intelligence and Statistics to record imports of hydroquinone by quantity and value. [Paragraph 10(a)]

(6) The existing revenue duties of 27.3 per cent., preferential, and 37.8 per cent., standard, should be converted into protective duties at the same rates. [Paragraph 15]

(7) In view of the present uncertainty regarding the future costs of production, the whole question of protection to this industry should be reviewed within two years and the protective duties recommended by us should, therefore, have a duration of two years. [Paragraph 15]

(8) The industry fulfils all the conditions prescribed for grant of protection or State assistance. [Paragraph 16]

18. We wish to thank the representatives of the manufacturers, importers and consumers who supplied us with information and gave evidence before us. We also wish to thank Dr. D.C. Sen, Deputy Development Officer of the Ministry of Commerce and Industry, New Delhi, Dr. C.B. Patel of the Department of Industries, Government of Bombay, Mr. R. Sundaram, Cost Accounts Officer attached to the Board, and Mr. S.S. Mehta, Technical Adviser to the Board, for the assistance they gave us in connection with this inquiry.

B.V. NARAYANASWAMY,
Member.

B.N. ADARKAR,
Member

M.A. MULKY,
Secretary.

Bombay,
the 15th May, 1951.

APPENDIX I
(Vide paragraph 1)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, the 2nd December, 1950.

RESOLUTION
(Tariffs)

No. 1-T/A(58)/49: In pursuance of paragraphs 2 and 7 of their Resolution in the Department of Commerce No. 218-T(55)/45, dated the 3rd November, 1945, and paragraph 4 of their Resolution bearing the same number, dated the 16th February, 1946, the Government of India have decided to refer to the Tariff Board for investigation applications for assistance or protection received from the following industries; namely:-

- (i) Machine screw, and
- (ii) Hydroquinone.

2. In conducting the enquiries, the Board will be guided by the principles laid down in paragraph 5 of the Resolution, dated the 3rd November, 1945, referred to in paragraph 1 above.

3. Firms or persons interested in any of these industries or in industries dependent on the use of these articles who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board, Contractor Building, Nicol Road, Ballard Estate, Bombay 1.

S. RANGANATHAN,

Joint Secretary.

APPENDIX II

[Vide paragraph 3(a)]

List of persons, firms and associations to whom the Board's questionnaires were issued and from whom replies or memoranda were received.

(* Those who sent replies)

(A) PRODUCERS:

- * 1. Messrs. Kesar Sugar Works Ltd.,
Bombay.

(B) IMPORTERS:

- * 1. Imperial Chemical Industries (India) Ltd.,
P.O. Box 310, Bombay.
- * 2. Allied Photographics Ltd.,
193, Hornby Road, Bombay.
- * 3. Kodak Ltd.,
Hornby Road, Bombay.
- * 4. May & Baker (India) Ltd.,
Sir P.M. Road, Bombay.

(C) CONSUMERS:

I. Motion Picture Producers.

- * 1. The Indian Motion Picture Producers' Association
Sandhurst Road, Bombay 4.
- 2. Krishna Cine Laboratories,
Film Land, Andheri, Bombay.
- 3. The Bombay Talkies Ltd.,
P.O. Box 393, Bombay.
- * 4. The Bombay Film Laboratories Ltd.,
Portuguese Church Road, Dadar, Bombay.
- * 5. National Chemicals Ltd.,
Mount Road, Madras 2. (Dealers)
- * 6. Madras Cine Laboratory,
Adyar, Madras 20.
- 7. Vijay Production Ltd.,
Kodambakam, Madras.
- * 8. Bengal Film Laboratories Ltd.,
27, Chandi Ghose Road, Tollygunge, Calcutta.
- 9. Gemini Studios Ltd.,
Mount Road, Madras.
- 10. Mohan Pictures,
Andheri, Bombay.

CONSUMERS: (contd.)

- * 11. Film Centre,
Central Cine Corporation,
68, Tardeo Road, Bombay 7.
- * 12. Industrial Chemical Company,
Tollygunge, Calcutta. (Dealers)
- * 13. Indian Chemical Company,
13/3, Chowringhee Road, Calcutta.

II. Photographers.

- 1. Cinefoto Laboratories,
Matunga, Bombay.
- * 2. Manik Studios,
38, Shanker Sethi Road, Poona 2.
- 3. Forward Studios,
Mangalawadi, Girgaum, Bombay 4.
- * 4. Photo Central,
Central Camera Co.,
195, Hornby Road, Bombay.
- * 5. Vanguard Studios,
355, Thalwadar, Bombay 2.

III. Others.

- * 1. Manager,
Ministry of Commerce Press,
New Delhi.
- * 2. Manager,
Govt. Photozincographic Press,
Poona.
- * 3. Ministry of Information and Broadcasting,
(Films Division)
New Delhi.
- * 4. Manager,
Illustrated Weekly of India,
Bombay.

APPENDIX III
[Vide paragraph 3(c)]

*List of persons who attended the public inquiry
on the 19th March, 1951.*

A. PRODUCERS:

- | | | |
|-----------------------|---|--|
| 1. Dr. L.A. Bhatt | } | Representing M/s. Kesar Sugar Works Ltd.,
Bombay. |
| 2. Mr. D.M. Trivedi | | |
| 3. Mr. Satyadev Mayor | " | M/s. Sarabhai Chemicals, Baroda. |

B. IMPORTERS:

- | | | |
|--------------------|---|---|
| 4. Mr. A.R. Leyden | " | The Allied Photographics Ltd.,
Bombay. |
| 5. Mr. J. Kershaw | " | M/s. Kodak Ltd.,
Bombay. |

C. CONSUMERS:

- | | | |
|---------------------|---|---|
| 6. Mr. J.B. Roongta | } | The Indian Motion Picture Producers' Association, Bombay. |
| 7. Mr. I.K. Menon | | |
| 8. Mr. P.J. Patel | " | The Central Cine Corporation Ltd.,
Bombay. |
| 9. Mr. V.S. Marathe | " | The Famous Cine Laboratories and Studios Ltd., Bombay. |
| 10. Mr. N.V. Rege | } | The Bombay Film Laboratories Ltd., Bombay. |
| 11. Mr. R.S. Joshi | | |
| 12. Mr. R.B. Mehta. | " | The Bengal Film Laboratories Ltd.,
Calcutta. |

D. OFFICIALS:

- | | |
|--------------------|--|
| 13. Dr. D.C. Sen | Deputy Development Officer. (Chemicals),
Ministry of Commerce and Industry,
New Delhi. |
| 14. Dr. C.B. Patel | Assistant Industries Chemist, Department of Industries, Bombay. |

APPENDIX IV [Vide paragraph 10(b)]

Statement showing the import control position in respect of hydroquinone from January-June 1949 to January-June 1951.

- (1) For the licensing period January-June 1949.

For imports from Dollar Area and Hard Currency Countries.	Licences issued subject to monetary ceilings.
For Sterling and Soft Currency Countries.	O.G.L. XI.
- (2) For the licensing period July-December, 1949.

For imports from Dollar Area, Western Zone of Germany and Switzerland.	Licences issued subject to essentiality and monetary ceilings.
For Soft Currency Countries.	O.G.L. XV.

Note:

As O.G.L. XV was cancelled on 25th August, 1949 and as hydroquinone was not included in the special list of chemicals for which only licences were granted, practically no licences were issued for hydroquinone during July-December, 1949.

- (3) For the licensing period January-June, 1950.
 Hydroquinone was included in the list of 'excepted' chemicals, which were not allowed to be imported during January-June, 1950 even from soft currency countries.
- (4) For the licensing period July-December 1950 and for advance licences for January-June, 1951.
 Quota licences were granted to established importers from soft currency areas to the extent of 20% of half of best previous year's import, for each of the two licensing periods.
- (5) For the licensing period January-June, 1951.
 A special notification dated 20-12-1950 reads as follows: "Additional licences from soft currency areas will be granted to established importers on the basis of a quota of 50% of half of best year's imports from all sources except Pakistan and South Africa. - In addition soft currency licences will be granted to actual users for three months' requirements."

APPENDIX V

(Vide paragraph 14)

Statement showing c.i.f. prices and landed costs of hydroquinone

Source of information	Date of import	Country of origin	C.i.f. value per lb.	Duty		Landing & clearing charges	Landed cost
				U.S.A. - 36%	U.K. - 26%		
				Rs.		Rs.	Rs.
Collector of Customs, Bombay.	July 1949	U.S.A.	2-14-0	--	--	--	--
Collector of Customs, Calcutta.	24-7-1947	U.S.A.	2-12-2	--	--	--	--
	8-11-1947	U.K.	5-2-5	--	--	--	--
	21-9-1948	U.S.A.	2-13-6	--	--	--	--
	5-11-1949	U.S.A.	3-0-9	--	--	--	--
	17-2-1949	U.S.A.	2-13-11	--	--	--	--
	1-11-1949	U.K.	3-5-0	--	--	--	--
Collector of Customs, Madras.	22-2-1951	U.K.	9-0-0	--	--	--	--
Importers:							
May and Baker (India) Ltd., Bombay.	Present (date of letter 10-3-1951)	U.K.	4-15-6	1-4-6	0-0-6	6-4-6	
Kodak Ltd., Bombay.	1949	U.S.A.	2-8-0	0-14-6	0-0-6	3-7-0	
	1950	U.S.A.	4-7-6	1-10-0	0-1-0	6-2-6	
Allied Photographics Ltd., Bombay.	20-6-1949	U.S.A.	2-14-3	1-0-10	0-0-5	3-15-6	
	12-7-1949	U.K.	3-5-7	0-14-0	0-1-2	4-4-9	
		U.K.	7-10-8	1-15-11	0-0-6	9-11-1	

* Based on latest price quoted by importers.